Kazakhstan Stock Exchange JSC NZFSPA 2024 Report

Net Zero Financial Service Providers Alliance (NZFSPA) Commitments & Targets Reporting

About this report

In November 2024, Kazakhstan Stock Exchange JSC (hereinafter KASE) joined the Net Zero Financial Service Providers Alliance (NZFSPA), committing to support the goal of net-zero greenhouse gas emissions by 2050 or sooner, in line with a maximum global temperature rise of 1.5°C above pre-industrial levels. As one of the eight sector specific initiatives of the Glasgow Financial Alliance for Net Zero (GFANZ), launched in April 2021, the NZFSPA includes service providers like investment advisors, rating agencies, auditors, and exchanges.

Members have pledged to set targets for transforming services and products to support the goal of a net-zero global economy.

To fulfil these commitments, KASE publishes its first NZFSPA Progress Report. The objective of this report is to outline to what extent KASE is currently meeting or working towards market-focused targets set by the NZFSPA exchange sub-group. The disclosures within this report align with the information, timelines, and NZFSPA target setting guidance for exchanges.

Introduction

Kazakhstan Stock Exchange JSC stands as the premier exchange in Kazakhstan, bringing together stock, money, currency, and future markets, while also functioning as an operator of financial indicators and source of exchange information. The comprehensive nature of the KASE platform enables trading participants and their clients to engage in transactions across multiple markets using various financial instruments, facilitating optimal liquidity management and execution of investment strategies.

KASE Clearing Centre JSC is a subsidiary of Kazakhstan Stock Exchange, which carries out clearing and settlement functions, and also provide central counterparty service on all KASE markets.

KASE consistently promotes issues of sustainable development, increasing environmental friendliness and social responsibility when doing business, transparency, as well as raising corporate governance standards and the principles of responsible investment among listed companies and members of KASE.

KASE recognizes the crucial role of capital markets in promoting sustainable economic growth and responsible investment. KASE is committed to integrating sustainability principles into its operations, management systems, and strategic decision-making, ensuring that activities are aligned with international principles and national legislation.

As a member of the UN Sustainable Stock Exchanges (UN SSE) Initiative since 2015, KASE views the promotion of the ESG agenda as a comprehensive and long-term strategic priority. KASE's sustainability management framework continues to evolve, taking into account the continuous improvement of global best practices, regulatory requirements, stakeholder expectations, and the KASE's overall development strategy.

NZFSPA Commitments & Targets Reporting

Focus Area: Governance

Target 1.1.1: Exchanges should put appropriate governance structures in place to ensure accountability for and oversight of the development and execution of the NZFSPA commitments.

Sustainable development management is carried out as part of the implementation of the KASE's overall development strategy, is an integral part of it, and is aimed at fulfilling the KASE's mission, strategic goals and objectives.

The mission of the KASE is to provide a platform that brings together people, ideas, and innovation, and to create opportunities for sustainable development and capital management.

Management of sustainable development issues is undertaken by the management bodies, executive bodies, and top managers of the executive bodies of organizations that are part of KASE.

The Board of Directors of organizations belonging to the KASE oversees the integration of sustainable development principles and the implementation of ESG practices in the activities of the KASE by approving internal documents related to aspects of sustainable development.

The Management board of KASE forms general sustainable development agenda of the organizations included in KASE and shall be responsible for its implementation.

The Management Board of KASE approves an action plan providing for implementation of activities in sustainable development of KASE, and targets indicators of KASE in aspects of sustainable development. In addition, Management Board oversees the sustainable development agenda and delegates responsibilities for the development and implementation of the sustainability action plan.

Figure 1 – KASE's sustainable development management system

Target 1.1.2: Exchanges should ensure that relevant policies, procedures and training are implemented to support its efforts.

KASE has established a set of internal policies, procedures, and training programs to ensure effective implementation of its sustainability and NZFSPA–related commitments. KASE's activities are guided by its sustainable development policy, code of corporate governance, human rights statement and anti-corruption policy, which together provide the foundation for responsible and transparent operations and conducting business.

Going forward, KASE plans to develop supplier code of conduct, environmental responsibility statement and continuously improve the sustainable development policy, KASE's sustainable development roadmap and other internal documents related to sustainable development.

As a systemically important financial infrastructure organization, KASE is committed to contributing to the creation of a resilient infrastructure and promoting inclusive and sustainable industrialization and innovation. KASE prioritizes the enhancement of market efficiency and regulation and actively collaborates with stakeholders to foster a sustainable market ecosystem.

KASE seeks to expand partnerships for sustainable development with the participation of many stakeholders to mobilize and disseminate knowledge, experience, technology, and financial resources in order to support the achievement of sustainable development goals.

To facilitate the implementation of these requirements, KASE regularly conducts educational and awareness-raising events for issuers and investors, including webinars, seminars, roadshows, and capacity-building programs. In 2024, the KASE held several events such as:

- webinar "Improving Investor Relations: Advanced Strategies for Listed Companies in Kazakhstan";
- "Green Bonds Issuance" webinar in cooperation with PwC;
- "ESG Reporting" webinar
- joint webinar with the Agency of Republic of Kazakhstan for Regulation and Development of the Financial Market (ARDFM) on "Disclosure of Information by Issuers in the Securities Market";
- KASE organized the event "Green Horizons: Entrepreneurship and Sustainable Development in Kazakhstan" as part of its ongoing efforts to promote sustainable finance and responsible corporate practices

In addition, KASE annually organizes the Ring the Bell for Gender Equality market-opening ceremony. As a part of World Federation of Exchanges (WFE) initiative, KASE hosted in 2024 Ring the Bell for Climate market-opening ceremony underscoring its commitment to promoting gender equality, climate awareness and sustainable development.

Focus Area: Emissions and Reductions & Disclosure

Target 1.2.1: Exchanges should publicly disclose their climate actions annually as soon as possible.

KASE provides its stakeholders with transparent and detailed information about its sustainability activities in its annual sustainability report. The KASE's 2024 sustainability report has been prepared with reference to the Global Reporting Initiative (GRI) index. For more detailed information on the KASE's sustainability disclosures, please click here.

Target 1.2.2: Exchanges should measure and disclose their Scope 1, 2 and (where material) 3 emissions annually.

As of the reporting period, KASE has not yet disclosed information on its carbon footprint. In 2024, KASE has developed its own methodology for calculating greenhouse gas (GHG) emissions. The methodology is based on the principles and recommendations of the GHG Protocol. KASE's main approach focuses on measuring and analyzing its current GHG emission levels to establish reduction targets, track progress over time, and identify the most effective areas for emission reduction.

KASE accounts for and discloses information on direct emissions (Scope 1) and Indirect emissions (Scope 2) – calculated in accordance with the methodology for calculating greenhouse gas emissions.

Considering the current nature of operations of the entities within KASE, for the purposes of this Methodology, the KASE does not include sources of GHG emissions from the production of electricity, steam and heat, from physical or chemical industrial processes, or from uncontrolled GHG emissions.

Other indirect emissions falling under Scope 3, as defined by the GHG Protocol, will be taken into account and disclosed in accordance with the GHG Protocol methodology, based on data provided by counterparties and as the necessary information becomes available from relevant third parties.

Starting from 2025 GHG emissions performance will be disclosed as a part of KASE's sustainability report.

Target 1.2.3: Exchanges should commit to Scope 1,2 and (where material) 3 emissions reduction for their own operations.

KASE's approach focuses on measuring and analyzing its current GHG emission levels to establish reduction targets, monitor progress over time, and identify the most effective areas for emission reduction. Having developed a methodology for calculating GHG emissions, KASE will disclose its GHG emission indicators in subsequent sustainability reports.

As a medium-term commitment, by 2027 KASE plans to develop and publish a comprehensive transition plan outlining decarbonization pathways, governance mechanisms, and key milestones for achieving its long-term climate objectives.

KASE expresses its aspiration to pursue a target of reducing operational greenhouse gas emissions (Scope 1 and Scope 2) by 15% by 2030 compared to the 2024 baseline year. In addition, KASE will work to ensure that at least 25% of its listed issuers disclose climate-related information in alignment with international standards.

By 2050, KASE targets to achieve net-zero operational emissions and to require full ESG disclosure from all listed issuers, thereby aligning the domestic capital market with the Paris Agreement and the Republic of Kazakhstan's Strategy for Carbon Neutrality by 2060.

2024 Baseline year	2030 Interim Target	2050-2060 Net-zero Target
• Methodology for GHG measurement developed	• Develop transition plan; • Intention to achieve a 15% reduction by 2030 and at least 25% of issuers disclose climate-related data	• Achieve net-zero operational emissions and full ESG disclousure from all listed companies aligned with Paris Agreement and Kazakhstan-2060 Strategy

Figure 2 – Net-zero emissions target

Focus Area: Products & Services

Target 2.2.1: Exchanges should work to raise visibility of climate-themed products.

KASE is actively developing and promoting the visibility of climate-themed and ESG-related products within the Kazakhstan capital market. KASE calculates and publishes a family of ESG bond indices (ESGB), including: ***KASE_ESGB_CP*** *(*Clean Price Index of ESG Bonds*)*, ***KASE_ESGB_DP*** *(*Dirty Price Index of ESG Bonds*)*, ***KASE_ESGB_Y*** (Yield Indicator of ESG Bonds) and the duration indicator of the ESG bond index. These indices provide transparent benchmarks for investors and contribute to strengthening the sustainable finance market in Kazakhstan.

In addition, KASE has launched the ESG data platform which provides access to sustainability-related information and supports responsible investment, the development of sustainable finance infrastructure and the creation of a favorable investment climate in Kazakhstan. The platform offers integrated access to data on ESG bond issues traded on KASE, non-financial and ESG reports of listed companies, methodological recommendations and manuals on ESG disclosure, as well as analytical and educational materials prepared by KASE as part of its ESG initiatives.

As of 2024, a total of 28 ESG bond issues have been listed on KASE, including 16 green bond issues since 2020, with 5 of them issued in 2024. The total announced volume of these issues amounted to KZT 128.9 billion (USD 340.2 million), while the placed volume reached KZT 119.4 billion (USD 222.1 million). This reflects the gradual formation of investor demand and the growing interest in sustainable financial instruments within the domestic capital market.

By ensuring public access to companies' ESG disclosures, KASE promotes transparency and supports the development of a responsible corporate sector. This information section provides comprehensive access to annual non-financial reports of listed issuers, sustainability reports including climate-related aspects and strategic disclosures, and methodological materials and international reporting standards.

Going forward, KASE plans to further strengthen its role in developing Kazakhstan's sustainable finance ecosystem. KASE will continue supporting the formation of a national carbon market, work on expanding the family of ESG and sustainability-related indices, and promote the issuance of green bonds, especially among small and medium-sized enterprises (SMEs). These efforts are aimed at enhancing market transparency, stimulating investor interest in sustainable instruments, and aligning Kazakhstan's capital market with international best practices.

Focus Area: Policy, Persuasion & Engagement

Target 2.3.1: Exchanges should actively engage with local and global policy makers and standard setters to stay informed of and promote net zero aligned policies.

KASE plays an essential role in advancing standards for the disclosure of ESG information and in fostering sustainable financing within the domestic stock market. A primary focus of KASE's involvement in the alliance will be to create tools and standards for clear reporting of carbon emissions data, encourage ESG financing, and minimize KASE's own carbon footprint.

KASE maintains active engagement with both international and national stakeholders to stay informed of and contribute to the implementation of the net-zero aligned policies. On international level, KASE participates in UN SSE Initiative, NZFSPA and sustainability working groups of WFE and Federation of Euro-Asian Stock Exchanges (FEAS).

At the national level, KASE cooperates closely with ARDFM, Ministry of Ecology and Natural Resources of the Republic of Kazakhstan, and other stakeholders to align its sustainability initiatives with the national climate and financial policies. This collaboration supports the development of a robust ecosystem for sustainable finance in Kazakhstan.

Target 2.3.2: Exchanges should work towards mandatory climate-related disclosure in their markets.

In its interaction with participants of the organized securities market, KASE is guided by the principles of transparency, professionalism, integrity, mutual benefit, and full responsibility for undertaken commitments, while adhering to all contractual obligations and commonly accepted ethical standards. The disclosure of ESG information alongside financial reporting is of great importance for investors and shareholders.

With the support of the International Finance Corporation (IFC), KASE developed a methodology for preparing ESG reports based on environmental, social, and corporate governance criteria. In 2021, KASE completed the process of integrating all provisions of the ESG methodology into the rules on information disclosure by issuers, which now include the requirement for ESG-related disclosure as part of annual reporting.

To facilitate the implementation of these requirements, KASE regularly conducts educational and awareness-raising events for issuers and investors, including webinars, seminars, roadshows, and capacity-building programs. In 2024, the KASE held several events such as:

- webinar "Improving Investor Relations: Advanced Strategies for Listed Companies in Kazakhstan";
- "Green Bonds Issuance" webinar in cooperation with PwC;
- "ESG Reporting" webinar
- joint webinar with ARDFM on "Disclosure of Information by Issuers in the Securities Market";
- KASE organized the event "Green Horizons: Entrepreneurship and Sustainable Development in Kazakhstan" as part of its ongoing efforts to promote sustainable finance and responsible corporate practices

In addition, KASE annually organizes "Ring the Bell for Gender Equality" market-opening ceremony. As a part of WFE initiative, KASE arranged in 2024 "Ring the Bell for Climate" market-opening ceremony underscoring its commitment to promoting gender equality, climate awareness and sustainable development.

As part of its contribution to policy advancement and market development, KASE has established specific listing rules for ESG bonds that define eligibility criteria, disclosure obligations, and verification requirements. ESG bonds may be included in KASE's official list provided that both the securities and their issuers meet the listing criteria defined by KASE rules.

The issue terms, assessment procedures, and verification of the use of proceeds are determined in accordance with the Law on the Securities Market and the relevant regulations of the financial regulator. Prior to issuance, each ESG bond must undergo independent external review to confirm that the bonds and the issuer's ESG framework align with internationally recognized sustainability standards. The list of accredited external reviewers and the required documentation for preliminary review and inclusion in the ESG segment are publicly available on KASE's website.

Issuers of ESG bonds are required to disclose information in accordance with national legislation and KASE internal disclosure rules. Complementing these efforts, ARDFM has developed Guidelines on ESG Disclosure for banks and financial organizations. These guidelines further enhance transparency and support the promotion of responsible investment practices across Kazakhstan's capital market.

Summary

The NZFSPA Progress Report provides an overview of KASE's implementation of sustainability and climate-related commitments under the NZFSPA framework, including governance structure, key internal policies and plans to strengthen sustainability and climate-related standards.

KASE developed its own GHG emissions calculation methodology based on the GHG Protocol, covering Scope 1 and 2 emissions with 2024 as the baseline year. KASE expresses its aspiration to pursue a target of reducing operational greenhouse gas emissions by 15% by 2030 compared to the 2024 baseline year, with a longer-term ambition to achieve net-zero emissions by 2050.

The Report highlights KASE's efforts to expand sustainable financial products, including ESG bond indices, an ESG Data Platform, and the promotion of green bond issuance. As of 2024, 16 green bond issues a total announced volume of KZT 128.9 billion (USD 340.2 million) and a placed volume of KZT 119.4 billion (USD 222.1 million). It also reflects active cooperation with international and national partners to promote sustainable finance and climate-related disclosure.

Overall, the Report underscores KASE's continued commitment to transparency and decarbonization, while advancing the integration of sustainability principles across its operations and market initiatives.